UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF NEW YORK

| | |
|---|---|
| In re:<br><br>**FLOUR CITY BAGELS, LLC**[1],<br><br>Debtor. | Case No. 16-20213<br>(Chapter 11) |

# AMENDED EXHIBIT E

## SUMMARY OF BRUEGGER'S FINANCIAL PERFORMANCE AND DEBTOR'S PROJECTIONS

**TO**

**SECOND AMENDED DISCLOSURE STATEMENT FOR JOINT PLAN OF UNDER CHAPTER 11 OF THE BANKRUPTCY CODE DATED APRIL 12, 2017 PROPOSED BY (A) UNITED CAPITAL BUSINESS LENDING N/K/A BRIDGE FUNDING GROUP, INC., (B) BRUEGGER'S FRANCHISE CORPORATION, BRUEGGER'S ENTERPRISES, INC., LDA MANAGEMENT COMPANY, INC., AND LE DUFF AMERICA, INC. (C) CANAL MEZZANINE PARTNERS II, LP, AND (D) FLOUR CITY BAGELS, LLC**

[1] The last four digits of the Debtor's federal tax identification number are 9515.

**BRUEGGER'S BAKERIES – 2015 SALES AND EBITDA**

| | |
|---|---|
| **Average for 174 Company-owned Bakeries** | **$727,654** |
| **Average for 88 Franchised Bakeries** | **$720,721** |

| | See Note | Average Expense Amount per Company-owned Bakery | % of Average Gross Sales |
|---|---|---|---|
| **COGS** | **Note (1)** | **$195,141** | **26.9%** |
| **Payroll** | **Note (2)** | **$226,429** | **31.1%** |
| **Operating Expenses** | **Note (3)** | **$89,651** | **12.3%** |
| **Marketing** | **Note (4)** | **$21,882** | **3.0%** |
| **Rent, Occupancy** | **Note (5)** | **$84,390** | **11.6%** |
| | | | |
| **EBITDA** | **Note (6)** | **$110,161** | **15.1%** |

Financials include 28 go forward stores only.

All numbers begin with projected 2016 as baseline, which includes actual 2016 sales, actual full P&L results for 6 months, and projected full P&L results for the remaining 6 months.

1. Sales would lift 10% from the addition of the Merry Chefs, Egg Roundups, and Carter Hoffmans.
   That lift would be seen on mid year convention in years 1 and 2

2. Comp store sales would also increase at the same budgeted rates used for the 2017 - 2019 LRP as follows:

| | |
|---|---|
| Year 1 | 1.15% |
| Year 2 | 1.85% |
| Year 3 | 2.70% |
| Year 4 | 2.00% |

3. Food costs assume a conversion to the frozen dough program and assume COGS would decline to 26.5% over the first 2 years due to cost reduction initiatives and economies in purchase costs from purchasing through the Bruegger's network. Year 3 would see a reduction to 26.2%, consistent with other Bruegger's company owned stores.

4. Minimum wages would increase based on the New York state Minimum wage chart as follows:

| | | | |
|---|---|---|---|
| 2016 | $ | 9.75 | |
| 2017 | $ | 10.75 | 110.3% |
| 2018 | $ | 11.75 | 109.3% |
| 2019 | $ | 12.75 | 108.5% |

5. Store managers would be eligible for a 3% per year merit increase. This was applied using a breakage rate of 50% for assumed turnover.

6. Rent will increase at 2.5% in Year 1 with the renegotiation of leases with the landlord community

7. Newco will pay into the Bruegger's National marketing fund at 1.75% of sales. Consistent with other Bruegger's locations, they will also spend as much as 2.2%, which includes local marketing activities.

8. Royalties can only be funded by available cash after reserves for working capital and debt service, only after borrowings from BEI related to working capital and Capital Expenditures are repaid, and only after the deferred royalty liability to Breugger's has been satisfied.

9. $350,000 of the deferred royalty owed to BEI will carry forward into Newco as a liability of Newco. Deferred royalties are currently estimated to be $615k at anticipated purchase closing.

10. Deferred maintenance would be split and paid over years 1 and 2

11. G&A includes the costs for 3 DMs and 1 DO. The corporate overhead burden is estimated to be similar to the burden that Flour City experiences in their current structure.

12. $245k payment is made to the unsecured creditors over the course of the first 4 years.

13. POS equipment is installed and financed by a 5 year capital lease in year 2, bearing interest at 5%.

14. BEI loans funds, payable on demand, to Newco to fund working capital and Capital expenditures, bearing interest at 4.25%.

15. $1250 per store ($35,000) comes forward with the store assets to serve as opening till cash.

16. Purchase prices of $4,450,000 is comprised of a $2,500,000 note to United and up front cash of $1,950,000 paid by LDA for the administrative costs associated with the bankruptcy. The note bears interest a 4.25% and is paid in full by the end of year 3.

17. The $1,950,000 initially paid by BEI at closing is considered a loan to Newco, bearing interest at 4.25% and payable, on demand, prior to the disbursement of royalties and matching funds.

| | Projected Year 1 | % Sales | Projected Year 2 | % Sales | Projected Year 3 | % Sales | Projected Year 4 | % Sales |
|---|---|---|---|---|---|---|---|---|
| Net Sales | $ 19,954,360 | | $ 21,263,429 | | $ 21,837,541 | | $ 22,274,292 | |
| Cost of Goods Sold | $ 5,531,297 | 27.7% | $ 5,479,296 | 25.8% | $ 5,561,725 | 25.5% | $ 5,672,959 | 25.5% |
| **Gross Profit** | **$ 14,423,063** | **72.3%** | **$ 15,784,133** | **74.2%** | **$ 16,275,817** | **74.5%** | **$ 16,601,333** | **74.5%** |
| | | | | | | | | |
| Payroll and Related Expenses | $ 6,517,268 | 32.7% | $ 7,420,284 | 34.9% | $ 8,095,904 | 37.1% | $ 8,905,494 | 40.0% |
| 11 · Occupancy Expense | $ 3,312,848 | 16.6% | $ 3,312,848 | 15.6% | $ 3,312,848 | 15.2% | $ 3,312,848 | 14.9% |
| 12 · Depreciation & Amortization | $ 228,942 | 1.1% | $ 228,942 | 1.1% | $ 228,942 | 1.0% | $ 228,942 | 1.0% |
| 13 · Marketing & Promotion | $ 438,996 | 2.2% | $ 467,795 | 2.2% | $ 480,426 | 2.2% | $ 490,034 | 2.2% |
| 14 · Franchise Fee | $ - | 0.0% | $ - | 0.0% | $ - | 0.0% | $ - | 0.0% |
| 18 · Computer Expense | $ 61,099 | 0.3% | $ 61,099 | 0.3% | $ 61,099 | 0.3% | $ 61,099 | 0.3% |
| 19 · Bank/Merchant Charges | $ 418,804 | 2.1% | $ 446,279 | 2.1% | $ 458,328 | 2.1% | $ 467,495 | 2.1% |
| 20 · Other Expenses | $ 312,379 | 1.6% | $ 312,379 | 1.5% | $ 312,379 | 1.4% | $ 312,379 | 1.4% |
| 21 · Taxes | $ - | 0.0% | $ - | 0.0% | $ - | 0.0% | $ - | 0.0% |
| 22 · Restaurant Supply | $ 151,901 | 0.8% | $ 151,901 | 0.7% | $ 151,901 | 0.7% | $ 151,901 | 0.7% |
| 23 · Sanitation - Cleaning | $ 115,596 | 0.6% | $ 115,596 | 0.5% | $ 115,596 | 0.5% | $ 115,596 | 0.5% |
| 24 · Gift Card Fee | $ 9,390 | 0.0% | $ 10,006 | 0.0% | $ 10,277 | 0.0% | $ 10,482 | 0.0% |
| 25 · Professional Fee | $ - | 0.0% | $ - | 0.0% | $ - | 0.0% | $ - | 0.0% |
| 78010 · Uncollectible House A/C | $ - | 0.0% | $ - | 0.0% | $ - | 0.0% | $ - | 0.0% |
| **Total Expense** | **$ 11,567,225** | **58.0%** | **$ 12,527,131** | **58.9%** | **$ 13,227,700** | **60.6%** | **$ 14,056,271** | **63.1%** |
| **Net Ordinary Income** | **$ 2,855,838** | **14.3%** | **$ 3,257,002** | **15.3%** | **$ 3,048,116** | **14.0%** | **$ 2,545,062** | **11.4%** |
| | | | | | | | | |
| 89000 · Interest - United | $ 94,849 | 0.5% | $ 53,926 | 0.3% | $ 8,536 | 0.0% | $ - | 0.0% |
| 89000 · Interest - BEI | $ 146,625 | 0.7% | $ 133,875 | 0.6% | $ 78,625 | 0.4% | $ 17,000 | 0.1% |
| 89000 · Interest - Other | $ - | 0.0% | $ 25,704 | 0.1% | $ 20,531 | 0.1% | $ 15,093 | 0.1% |
| **Operating Income** | **$ 2,614,364** | **13.1%** | **$ 3,043,496** | **14.3%** | **$ 2,940,425** | **13.5%** | **$ 2,512,969** | **11.3%** |
| | | | | | | | | |
| Field Management Costs | $ 516,175 | 2.6% | $ 529,079 | 2.5% | $ 542,306 | 2.5% | $ 555,864 | 2.5% |
| Corporate Costs | $ 551,750 | 2.8% | $ 565,544 | 2.7% | $ 579,682 | 2.7% | $ 594,174 | 2.7% |
| Royalties to BFC | $ - | 0.0% | $ - | 0.0% | $ - | 0.0% | $ - | 0.0% |
| Matching Payment to Canal | $ - | 0.0% | $ - | 0.0% | $ - | 0.0% | $ - | 0.0% |
| | | | | | | | | |
| **Net Income** | **$ 1,546,439** | **7.7%** | **$ 1,948,874** | **9.2%** | **$ 1,818,437** | **8.3%** | **$ 1,362,931** | **6.1%** |
| | | | | | | | | |
| **EBITDA** | **$ 2,016,855** | **10.1%** | **$ 2,391,321** | **11.2%** | **$ 2,155,070** | **9.9%** | **$ 1,623,966** | **7.3%** |

| **CapEx Needs:** | **2016** | **Year 1** | **Year 2** | **Year 3** | **Year 4** |
|---|---|---|---|---|---|
| Legal and Start Up Costs | $ - | $ 100,000 | $ - | $ - | $ - |
| Freezers | $ - | $ 196,000 | $ - | $ - | $ - |
| Merry Chef/Roundup/Carter Hoff. | $ - | $ 588,000 | $ - | $ - | $ - |
| Deferred Maintenance | $ - | $ 224,000 | $ 224,000 | $ 100,000 | $ 100,000 |
| New POS Equipment | $ - | $ - | $ 560,000 | $ - | $ - |
| Deferred Royalty Payment | $ 265,000 | $ - | $ - | $ - | $ - |
| Cash at Purchase | $ 1,685,000 | $ - | $ - | $ - | $ - |
| **TOTAL CapEx** | **$ 1,950,000** | **$ 1,108,000** | **$ 784,000** | **$ 100,000** | **$ 100,000** |

| **Cash Flow:** | **Year 0** | **Year 1** | **Year 2** | **Year 3** | **Year 4** |
|---|---|---|---|---|---|
| **Beginning Cash** | **$ -** | **$ 35,000** | **$ 612,230** | **$ 548,860** | **$ 331,177** |
| | | | | | |
| Net Income | $ - | $ 1,546,439 | $ 1,948,874 | $ 1,818,437 | $ 1,362,931 |
| Depreciation and Amortization | $ - | $ 228,942 | $ 228,942 | $ 228,942 | $ 228,942 |
| CapEx Expenditures | $ - | $ (1,108,000) | $ (224,000) | $ (100,000) | $ (100,000) |
| Working Capital and CapEx Loan - BEI | $ - | $ 1,500,000 | $ - | $ - | $ - |
| Proceeds From Loan - United | $ 2,500,000 | $ - | $ - | $ - | $ - |
| Proceeds from Loan - POS | | $ - | $ 560,000 | $ - | $ - |
| Principal Payment on Debt - United | $ - | $ (805,151) | $ (1,146,074) | $ (548,776) | $ - |
| Principal Payment on Debt - BEI | $ - | $ (300,000) | $ (1,300,000) | $ (1,450,000) | $ (400,000) |
| Principal Payment - Other | $ - | $ - | $ (101,112) | $ (106,285) | $ 111,723 |
| Deferred Royalty Payment to BEI | $ - | $ (360,000) | $ - | $ - | $ - |
| Payment to Unsecured Creditors | $ - | $ (125,000) | $ (30,000) | $ (60,000) | $ (30,000) |
| Petty Cash in Tills | $ 35,000 | $ - | $ - | $ - | $ - |
| Cash Due At Purchase | $ (4,450,000) | $ - | $ - | $ - | $ - |
| Cash Borrowed from Parent for Purchase | $ 1,950,000 | $ - | $ - | $ - | $ - |
| | | | | | |
| ***Net Increase/(Decrease) in Cash*** | ***$ 35,000*** | ***$ 577,230*** | ***$ (63,370)*** | ***$ (217,683)*** | ***$ 1,173,596*** |
| | | | | | |
| **Ending Cash** | **$ 35,000** | **$ 612,230** | **$ 548,860** | **$ 331,177** | **$ 1,504,773** |

| | Year 1 | Year 2 | Year 3 | Year 4 |
|---|---|---|---|---|
| **Cash Reserved to fund Working Capital** | $ 275,000 | $ 300,000 | $ 300,000 | $ 300,000 |
| **Cash Reserved to Fund Debt Service** | $ 300,000 | $ 300,000 | $ 250,000 | $ 250,000 |